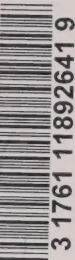


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# ONTARIO HOUSING CORPORATION

## ANNUAL REPORT

1996



*Ontario Housing Corporation*  
An agency of the Government of Ontario

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**Ministry of  
Municipal Affairs  
and Housing**

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**Ministère des  
Affaires municipales  
et du Logement**

Bureau du ministre

777 rue Bay  
Toronto ON M5G 2E5  
(416) 585-7000



**TO THE LIEUTENANT GOVERNOR  
OF THE PROVINCE OF ONTARIO**

MAY IT PLEASE YOUR HONOUR:

For the information of Your Honour and the Legislative Assembly, we have the privilege of presenting the Annual Report of the Ontario Housing Corporation for the calendar year 1996.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Al Leach'.

Hon. Al Leach  
Minister of Municipal Affairs and Housing







Office of the  
Chair  
Bureau du  
président

Ministry  
of  
Housing

Ministère  
du  
Logement

Ontario  
Housing  
Corporation

Société  
de logement  
de l'Ontario

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**TO THE HONOURABLE AL LEACH,  
MINISTER OF MUNICIPAL AFFAIRS AND HOUSING**

**MINISTER:**

On behalf of the Board of Directors, I am pleased to present the Annual Report and Statement of Accounts of the Ontario Housing Corporation for the year ending December 31, 1996.

Respectfully submitted,

William McMillin Carson  
Chair, Ontario Housing Corporation

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## **REPORT FROM THE CHAIR OF THE BOARD**

**BOARD OF DIRECTORS AS OF DECEMBER 31, 1996**

**Chair: William McMillin Carson**

**Vice-Chair: Carol M. Reid**

**Members: Susan Black, Sam Ciccolini, Shailesh Dudani, Barbara J. Garcia, Chuck Giles, Joan Gullen, David Hulchanski, Carol Taylor-Coolen and Alex Yeung**

Our efforts in 1996 focused on transforming Ontario Housing Corporation into an organization that takes a more business-like approach to its product and service delivery. The goal was to get more value for each taxpayer dollar, and foster an organization that can respond quickly and efficiently to government directions while still maintaining services to public housing residents.

As a first step, the OHC board developed a restructuring proposal to create approximately 20 new local housing councils down from the existing 53 local housing authorities which manage OHC's approximate 84,000 housing units on a day-to-day basis. At year's end, final decisions on the restructuring proposal were on hold pending a decision from the government on a comprehensive reform of social housing.

To meet the government's financial constraints, a plan was implemented to reduce the corporation's annual operating costs by \$20 million and reduce capital expenditures by 25 per cent.

During 1996, OHC placed the organization on a sounder business footing. Improved computer systems were introduced in the housing authority system to handle basic functions such as payroll and accounts payable. OHC also developed a comprehensive asset management system which reports on the general condition of its housing stock and helps predict long term capital funding requirements. By moving to a purchasing card system to reduce administrative time spent on minor financial transactions, OHC became the first Schedule 1 agency to do so. New standing agreements were negotiated for a variety of goods and services for housing authorities, resulting in significant cost savings.




The board also moved forward on proposals to redevelop major public housing sites at Regent Park in Toronto and Glengarry Court in Windsor. At year's end, OHC was investigating public-private partnerships for these two sites

OHC disposed of a small number of vacant scattered units within the public housing portfolio and completed a review of vacant OHC lands with a view to selling some of these properties.

A new, fairer selection system for applicants, based on the date of application, was introduced as a pilot project to the Metro Toronto Housing Authority to replace the older point rating system. Subsequently, the Board approved its implementation for the remaining housing authorities.

Also, a set of guiding principles for providing services to tenants was put into place, underlining the OHC board's recognition of tenant needs.

Finally, I would like to congratulate the housing authority and OHC staff for their professionalism in managing the country's largest housing portfolio and for providing excellent service for our clients in the midst of major change in the corporation's business framework.

A handwritten signature in cursive script, reading "William McMillin Carson".

William McMillin Carson  
Chair





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B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2  
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***Auditor's Report***

To the Ontario Housing Corporation  
and to the Minister of Municipal Affairs and Housing

I have audited the balance sheet of the Ontario Housing Corporation as at December 31, 1996 and the statement of operations for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996, and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements.

A handwritten signature in black ink, reading 'Erik Peters'.

Toronto, Ontario  
April 18, 1997

Erik Peters, FCA  
Provincial Auditor




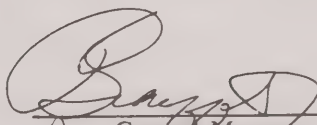
**ONTARIO HOUSING CORPORATION**  
**Balance Sheet**  
**As at December 31, 1996**

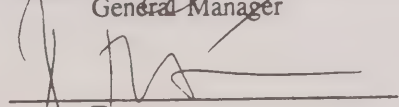
	1996 (thousands of dollars)	1995
<b>ASSETS</b>		
Investments in Properties (note 3)	1,211,683	1,214,439
Mortgages and Loans (note 4)	30,440	31,718
Amount due from Province of Ontario	111,059	123,474
Accounts Receivable	7,053	7,209
	1,360,235	1,376,840
Non-Profit Housing Fund (note 5)	1,377,135	1,437,430
	<b>2,737,370</b>	<b>2,814,270</b>
<b>LIABILITIES</b>		
Long-Term Debt (note 6)	1,055,727	1,056,520
Accounts Payable and Accrued Liabilities (note 7)	103,975	114,103
Bank Indebtedness	875	3,318
	1,160,577	1,173,941
Non-Profit Housing Fund (note 5)	1,377,135	1,437,430
<b>CONTINGENT LIABILITIES (note 14)</b>		
<b>EQUITY</b>		
Contributed Surplus (note 8)	199,658	202,899
	<b>2,737,370</b>	<b>2,814,270</b>

See accompanying notes to financial statements.

On Behalf of the Board:

  
Chair

  
General Manager

  
Treasurer

**ONTARIO HOUSING CORPORATION**  
**Statement of Operations**  
**For the Year Ended December 31, 1996**

	1996	1995
	(thousands of dollars)	
HOUSING OPERATIONS		
Assisted Housing (note 9)		
Rental Revenue	302,516	292,444
Expenses		
Property Operating Expenses	382,283	419,571
Grants in lieu of Municipal Taxes	119,365	117,815
Amortization (Principal and Interest)	108,345	108,641
	609,993	646,027
Loss on Assisted Housing	307,477	353,583
Rent Supplement (note 10)	124,462	129,713
	431,939	483,296
Less: Canada Mortgage and Housing Corporation share	211,633	235,405
	220,306	247,891
Provincial Contributions to Municipal Housing (note 11)	20,933	21,554
Rural and Native Housing (note 12)	8,015	7,042
Recovery of Amortization (Principal and Interest)	(20,295)	(19,762)
Federal/Provincial Rent Scale Adjustment	0	2,319
PROVINCIAL SHARE OF LOSS ON HOUSING OPERATIONS	228,959	259,044
FUNDS PROVIDED BY THE PROVINCE OF ONTARIO	228,959	259,044

See accompanying notes to financial statements.



## 1. SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies used in preparing the accompanying financial statements:

- i) The Corporation uses the accrual method of accounting.
- ii) Capital funds provided by the Province of Ontario are not repayable and are therefore recorded as Contributed Surplus. However, to reflect the full costs of operating the projects, relevant amortization charges (principal and interest) are imputed and included in Loss on Assisted Housing. Such amortization is offset by a credit to Recovery of Amortization in the Statement of Operations.
- iii) Land and buildings held as investments in Provincial and Federal-Provincial properties are amortized on a basis equal to the reduction of the corresponding long-term debt. For the provincial portion of such investments, the reduction is made to Contributed Surplus.
- iv) Furniture and equipment purchases are expensed in the year of acquisition.

## 2. SELF-INSURANCE

The Corporation follows the policy of self-insuring its Provincial and Federal-Provincial properties for damages such as fire, water and vandalism. Costs of such repairs are charged to property operating expenses.

## 3. INVESTMENT IN PROPERTIES

The Corporation's investment in properties is as follows:

	1996	1995
	(thousands of dollars)	
(a) Provincial Housing	1,111,592	1,113,215
(b) Federal-Provincial Housing	12,690	13,152
(c) Rural and Native Housing	28,457	28,242
(d) Student Housing on Leased Land	55,862	56,748
(e) Other	3,082	3,082
	1,211,683	1,214,439

(a) Provincial Housing

This investment represents land and building costs of wholly-owned properties which are amortized over periods not exceeding 50 years.

	1996	1995
	(thousands of dollars)	
Cost	1,333,946	1,317,079
Less: Accumulated Amortization	222,354	203,864
Net Book Value	1,111,592	1,113,215

(b) Federal-Provincial Housing

Federal-Provincial properties are owned and operated on a partnership basis with Canada Mortgage and Housing Corporation. The balance represents the Corporation's share of land and building costs which are amortized over periods not exceeding 50 years.

	1996	1995
	(thousands of dollars)	
Cost	20,753	20,753
Less: Accumulated Amortization	8,063	7,601
Net Book Value	12,690	13,152

(c) Rural and Native Housing

These properties are owned and operated on a partnership basis with Canada Mortgage and Housing Corporation. The balance represents the Corporation's share of land and building costs which are amortized over periods not exceeding 35 years. The properties are managed by Canada Mortgage and Housing Corporation on behalf of the partnership - see note 12.

	1996	1995
	(thousands of dollars)	
Rental Properties	23,912	22,419
Lease to Purchase Properties	4,545	5,823
Net Book Value	28,457	28,242

(d) Student Housing on Leased Land

This investment represents building costs to provide student accommodation on land leased from 11 universities and colleges. These costs are being repaid semi-annually to the Corporation by the educational institutions over a 50 year period. When the costs are fully repaid, titles to the properties will be transferred to the respective institutions. The institutions retain the rental revenues and absorb the property operating expenses.

	1996	1995
	(thousands of dollars)	
Cost	67,873	67,873
Less: Educational Institutions' Equity	12,011	11,125
Net Book Value	55,862	56,748

(e) Other

	1996	1995
	(thousands of dollars)	
Leased Land, at cost	2,308	2,308
Land Inventory, lower of cost or estimated market value	774	774
	3,082	3,082

4. MORTGAGES AND LOANS

	1996	1995
	(thousands of dollars)	
Rural and Native Housing Program (See note 12)	27,501	28,732
Other	2,939	2,986
	30,440	31,718

## 5. NON-PROFIT HOUSING FUND

The Province of Ontario authorized the Corporation to borrow funds from the Canada Pension Plan Fund ("CPP") by the issuance of debentures. The funds borrowed were loaned as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units under the Homes Now and Student Residences Programs.

These mortgages to non-profit housing corporations have been discharged and refinanced by the private lenders. Funds received from the discharged mortgages are loaned to the Province of Ontario.

As at December 31, 1996, the fund consisted of:

	1996	1995
	(thousands of dollars)	
<b>Assets</b>		
Bank	18,753	0
Loans to Province of Ontario	1,157,212	1,157,212
Mortgages		
Non-Profit Housing Corps.	1,760	80,141
Universities and Colleges	166,128	166,128
Interest Receivable	33,282	33,949
	1,377,135	1,437,430
<b>Liabilities and Fund Balance</b>		
Canada Pension Plan Investment		
Fund (CPP) Debentures	1,323,340	1,323,340
Line of Credit Payable	0	61,293
Interest Payable	33,283	33,569
Fund Balance	20,512	19,228
	1,377,135	1,437,430

The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures - weighted average rate of 10.3%.

Loans to the Province and mortgages to non-profit housing corporations and universities and colleges are repayable over periods not in excess of 20 years. Interest is calculated semi-annually at various rates based on individual loans and mortgages - weighted average rate of 9.0% (1995 - 9.1%). When the interest received from the Province is less than the interest payable on the related CPP borrowings, the Corporation receives an interest adjustment from the Ministry of Municipal Affairs and Housing for the difference.



Details of the transactions related to the fund balance are as follows:-

	1996	1995
	(thousands of dollars)	
Balance - Beginning of Year	19,228	15,000
Interest Earned	137,901	148,031
Interest Expense	(136,236)	(143,347)
Legal and Consulting Services	(262)	(282)
Refinancing Costs	(118)	(174)
Balance - End of Year	20,513	19,228

Interest earned includes \$102.2 million (1995 - \$100.7 million) on loans to the Province of Ontario and \$16.9 million (1995 - \$16.8 million) from the Ministry of Municipal Affairs and Housing as an interest adjustment for the difference between the interest rates on CPP borrowings and loans to the Province.

## 6. LONG-TERM DEBT

	1996	1995
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	1,020,588	1,037,816
Other	35,139	18,704
	1,055,727	1,056,520

The Corporation borrows funds from Canada Mortgage and Housing Corporation and the private sector to finance investments in real property. Such borrowings are repaid in accordance with agreement terms over periods not in excess of 50 years. Interest is payable at various rates based on individual agreements - weighted average rate of 7.5% (1995 - 7.5%).

Principal repayments on the long-term debt are as follows:

	(thousands of dollars)
1997	19,070
1998	20,419
1999	21,844
2000	23,412
2001	25,094
Subsequent to 2002	945,888
	1,055,727

While the Corporation is indebted for capital funds borrowed in respect of investment in Provincial housing projects, the amortization charges (principal and interest) over the life of the projects are considered operating expenses under the cost sharing agreement with Canada Mortgage and Housing Corporation (CMHC). Under this agreement, CMHC contributes 50% of the amortization charges (principal and interest) and the Corporation absorbs the remaining 50%.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1996	1995
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	37,994	40,398
Other	65,981	73,705
	103,975	114,103

## 8. CONTRIBUTED SURPLUS

	1996	1995
	(thousands of dollars)	
Balance - Beginning of Year	202,899	206,146
Capital Contributions received from Province	0	263
Capital Recoveries	(3,241)	(3,510)
Balance - End of Year	199,658	202,899

## **9. ASSISTED HOUSING**

Under the assisted housing program, the Corporation owns (either wholly or in partnership with Canada Mortgage and Housing Corporation) rental properties and provides rent-geared-to-income accommodation to households in need. The management of the properties is carried out through a network of local housing authorities who act as agents of the Corporation. The loss on this program is shared with Canada Mortgage and Housing Corporation.

## **10. RENT SUPPLEMENT**

Under the rent supplement programs, the Corporation acquires the use of rental units from the private sector and then provides rent-geared-to-income accommodation to households in need. The Corporation subsidizes the difference between the rent guaranteed to the landlord and the tenant portion of the rent. The costs for most of these programs are shared with Canada Mortgage and Housing Corporation.

## **11. PROVINCIAL CONTRIBUTIONS TO MUNICIPAL HOUSING**

The Corporation provides funding to the Metropolitan Toronto Housing Company Limited towards operating costs for senior citizen apartment units.

## **12. RURAL AND NATIVE HOUSING**

This program, administered by Canada Mortgage and Housing Corporation, provides subsidies for rental, lease to purchase and home ownership accommodation to families in rural areas. Rental, lease to purchase and home ownership payments are geared to owners' income. The expense represents the Corporation's share of the subsidy provided.

## **13. RELATED PARTY TRANSACTIONS**

### **(a) Pension Plan**

The Corporation provides pension benefits for substantially all of its permanent crown employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Ontario Public Service Employees' Union Pension Act, 1995 provides for a reduction of the employer's contribution to PSPF for each of the three years ending March 31, 1995-1997. For the Corporation's current fiscal year, the impact on the pension contribution was a reduction of \$5.9 million (1995 - \$5.8 million).

The Corporation's contributions to the PSPF and the OPSEU Pension Fund for the year was \$1.6 million (1995 - \$1.8 million) and is included in Assisted Housing - Property Operating Expenses and Rent Supplement in the Statement of Operations.

**(b) Administrative Support Services**

The Ministry of Municipal Affairs and Housing provides administrative support services to the Corporation. The charge for these services is based on the estimated time spent by Ministry staff on the Corporation's activities. The administrative support services charge included in Assisted Housing - Property Operating Expenses and Rent Supplement amounted to \$16.8 million (1995 - \$22.7 million).

**14. CONTINGENT LIABILITIES**

**(a) Developmental Assistance Guarantee Program**

The Corporation introduced the Loan Guarantee Program in 1991 to assist non-profit housing corporations to obtain funding for planning and developing social housing projects. Loans provided by private lenders under this program are guaranteed by the Corporation. The Province of Ontario authorized the Corporation to enter into these loan guarantee agreements with the condition that the aggregate of all guarantees outstanding at any time cannot exceed \$100 million in principal, plus \$20 million in interest.

	1996	1995
	(thousands of dollars)	
Balance - Beginning of Year	69,532	61,156
Add: Guarantees granted	200	20,106
Less: Guarantees honoured	(20,861)	(365)
Guarantees expired	(48,278)	(11,365)
Balance - End of Year	593	69,532

The Corporation is reimbursed by the Ministry of Municipal Affairs and Housing for any losses resulting from these guarantees.



**(b) Loan Insurance Agreements**

The Corporation has entered into loan insurance agreements with Canada Mortgage and Housing Corporation (CMHC) pertaining to mortgage loans on projects funded under various non-profit housing programs administered by the Ministry of Municipal Affairs and Housing. Under these agreements, CMHC will insure mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded entirely by the Province, and must share any net costs incurred for loan defaults on projects funded jointly by CMHC and the Province. Any costs incurred by the Corporation will be reimbursed by the Ministry of Municipal Affairs and Housing.

As of December 31, 1996, there were \$5.8 billion (1995 - \$5.4 billion) of mortgage loans outstanding on provincially-funded projects and the provincial share of mortgage loans outstanding on jointly-funded projects was \$2.0 billion (1995 - \$1.7 billion). As the Province provides operating subsidies sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

**(c) Grants in lieu of Municipal Taxes**

The Ontario Housing Corporation (OHC) has contested realty tax assessments pertaining to properties owned by the Metropolitan Toronto Housing Authority (MTHA) for the years 1993, 1994, 1995 and 1996, contending, along with its agents, that the Ministry of Finance is incorrect in its assessment of rental values which are a determining factor in the calculation of each year's realty tax liability. Disputed rental value assessments between the MTHA and the Ministry of Finance for the years identified have resulted in unpaid grants in lieu of municipal tax of approximately \$16.6 million.

OHC is currently negotiating a resolution to this matter. However, in the opinion of management and legal counsel, the outcome is not determinable at this time. Accordingly, no provision for this unpaid amount has been included in these financial statements. Should any payments result from the future resolution of this matter, such payments will be charged to operations in the year of resolution.

**15. Determination of Fair Value of Financial Instruments**

The estimated fair values of financial instruments are based on relevant market prices and information available at December 31, 1996. The fair value estimates are not necessarily indicative of the amounts that the Corporation might receive or incur in actual market transactions. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be

determined with precision. Changes in assumptions could significantly affect the estimates.

Since the investments in properties do not meet the definition of financial instruments, the fair value estimates discussed below do not reflect the fair value of the Corporation as a whole.

The fair values of mortgages and loans related to the Rural and Native Housing program are impractical to determine because of the terms and conditions related thereto, including associated subsidies.

The fair values of amount due from the Province of Ontario, accounts receivable, accounts payable and accrued liabilities, and bank indebtedness approximate their carrying values because of the short term maturity of these instruments.

The fair values of each of the Corporation's long-term debt instruments is based on the amount of future cash flows associated with each instrument discounted using an estimate based on debt instruments with similar characteristics. At December 31, 1996, the book value of these instruments approximated their fair values.

Due to the nature of the assets and liabilities comprising the Non-Profit Housing Fund and the terms and conditions related thereto, the Corporation does not have any significant interest rate risk because the Corporation is reimbursed for losses arising from fluctuations in interest rates.





